

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0388-01
Bill No.: HB 83
Subject: Agriculture and Animals; Energy; Motor Fuel; Revenue Department
Type: Original
Date: February 28, 2013

Bill Summary: This proposal authorizes an income tax credit for a taxpayer who uses processed biomass engineered fiber fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume no impact to their agency. This proposal does not have an annual or cumulative cap on the credits and therefore, this proposal will reduce General and Total State Revenue by an unknown amount.

Officials at the **Department of Agriculture** and the **Joint Committee on Administrative Rules** each assume this proposal has no fiscal impact on their agency.

Officials at the **Department of Natural Resources** would not expect a direct fiscal impact from this proposal.

Officials at the **Department of Revenue (DOR)** assume this proposal would require them to make form changes and computer programming changes to various tax systems. The estimated cost of these changes is \$4,544 for 168 FTE hours. Additionally, DOR's Personal Tax Division estimates it will require one Revenue Processing Technician I (\$25,884) per 4,000 credits claimed.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

This proposal defines processed biomass engineered fiber fuel as any fuel derived from substances produced in this state that were changed from their original form and combined in a manufacturing process in this state of three or more biomass inputs, resulting in a fuel product with a heat value of at least 7,500 BTUs per pound. **Oversight** is unaware of the quantity of this product produced in the state, what the product costs the end user (who actually gets the credit) and how quickly additional manufacturers could start producing a qualifying product. There is no annual limit to this program; therefore, Oversight will assume an Unknown amount of tax credits will be issued from this new program. The start date for the credit is for taxable years beginning on or after January 1, 2014; therefore, Oversight will assume the credits may be claimed starting in January 2015, or FY 2015.

Oversight assumes that since it is unclear how many individuals would qualify for the tax credit, DOR could absorb this proposal with existing resources. Should the number of credits reach the level where a new FTE would be necessary (4,000 credits) then DOR could make the request through the appropriation process.

ASSUMPTION (continued)

Oversight assumes this proposal would have some positive economic benefits to processed biomass engineered fiber fuel producers and users; however, Oversight considers these benefits to be an indirect effect of the proposal and have not reflected them in the fiscal note.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Revenue Reduction</u> - Department of Revenue - Tax credit for using processed biomass engineered fiber fuel	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that produce the biomass engineered fiber fuel could benefit from this tax credit.

FISCAL DESCRIPTION

Beginning January 1, 2014, this bill authorizes an income tax credit for any taxpayer who uses "processed biomass engineered fiber fuel" which is defined as any fuel derived from substances produced in this state that were changed from their original form and combined in a manufacturing process in this state of three or more biomass inputs, resulting in a fuel product with a heat value of at least 7,500 British Thermal Units (BTUs) per pound. The credit will be 30% of the purchased price of the fuel for the first year in which the fuel was purchased and used; 25% for the second year; 20% for the third year; 15% for the fourth year; 10% for the fifth year; and 5% for the sixth year. No tax credit will be issued after the sixth year in which the fuel was purchased and used. The amount of the credit cannot exceed the amount of the taxpayer's state tax liability for the tax year for which the credit is claimed, is not refundable, and cannot be transferred but can be carried forward for four years.

The provisions of the bill will expire six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
 Budget and Planning
Office of the Secretary of State



Ross Strope

L.R. No. 0388-01
Bill No. HB 83
Page 6 of 6
February 28, 2013

Acting Director
February 28, 2012

JH:LR:OD